

TRANSCRIPT OF PROCEEDINGS

BEFORE THE

DEPARTMENT OF ENERGY

In the Matter of:

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PROCEEDINGS

ROBERT A. MOSBACHER: I would like to introduce at the head table, on your right, my left, Mr. John McKinley, who is heading up our study of the refining capacity over the next five years. Next, on your right, my left, is Mr. Bill Vaughan. Honorable Bill Vaughan is Assistant Secretary for Fossil Energy, Department of Energy. Far right is our able Executive Director, Marshall Nichols. Next to him is Vice Chairman, and with a little bit of luck of one sort or another, perhaps our next Chairman of the National Petroleum Council, Mr. Ralph Bailey. Next, a gentlemen I'm sure known to virtually all of you, the Honorable John Herrington, our Secretary of Energy. But for the few of you who perhaps not had the pleasure, and I can tell you it is a great pleasure, of knowing Secretary, I'll give you a few moments of his background and highlights. Before coming to the Department of Energy, Secretary Herrington was Assistant to the President for Presidential Personnel. Prior to that, he was Assistant to the White House Chief of Staff. He was also Assistant Secretary of the Navy and while working with the Defense Department he received a distinguished service medal, which is the highest honor to be bestowed on a civilian in the Defense Department. And, Secretary Herrington came originally from California and as an unbiased American, I can say that next to coming from Texas I can't imagine a finer place. He went to Stanford, graduated from Stanford University and from the University of California, the Hastings College of Law where he

got his law degree, and we are honored, Mr. Secretary, for your being here, even though you have to take a trip shortly with the President and we appreciate your taking time to be with us. May we hear from you, please, sir.

SECRETARY HERRINGTON: I understand that I'm supposed to speak from over here because of all these microphones that are set up. First of all, Bob, I want to thank you for the kindness that you have shown to me over the last few weeks and the tremendous cooperation that you have given the Department of Energy in our search for truth here in the last few weeks before the new tax bill comes out. I realize this is your last meeting where you will be chairman and I want to tell all the members that I know that Ralph Bailey is going to do a great job, but he's got some tremendous shoes to fill here. Mosbacher is a very knowledgeable, very advocate, very articulate advocate for your industry and I would say is a great advocate of National Security and speaks from a higher plane than simply a representative of the oil industry. Bob, I would like to, if I could take one second, give you a little box here, as a token of my appreciation for the help that you have given the department in the last few weeks. I'd like to take one second to introduce, if I could, the new members of the Council that are present, and you have four of them that are present here this morning. Paul Meek, the Chairman of the Board, President and Chief Executive Officer of American Petrofina. Paul, could you stand up. Congratulations. Robert Sweeney, President and Chief Executive Officer of Murphy Oil

Company, El Dorado, Arkansas. Pete Silas; Pete, are you here? Chairman of the Board and Chief Executive Officer of Phillips Petroleum Company from Bartlesville. Finally, Chick Williamson. Chick and I saw each other in the breakfast area this morning; Chairman and Chief Executive Officer of Louisiana Land and Exploration Company in New Orleans. I feel like we may have had part of this meeting this morning. I saw most of you at that delightful reception last night that the Vice President put on for the members of the National Petroleum Council and I think I saw the rest of you at breakfast this morning in the coffee shop in the hotel. Maybe we won't have anything left to say, and maybe we will. We'll check it out. Ronald Kuehn, Jr., President and Chief Executive Officer of Sonat, Inc., Birmingham, Alabama, is not here this morning. He is the fifth new member of the Council. Presently, this morning, I think we still have three vacancies on the Council and we'll be looking at names for appointments for that important position. I want to start by saying, I think you all realize that I've been in this job four months, and it's quite a change coming from the White House and the Defense Department. I've had some observations, initially, that I would like to pass on to you. In getting into the job, going through the confirmation process, and then sitting through ten consecutive budget hearings, you have to realize that there was a lot of learning for a person in my position. But when I went to find out about the Strategic Petroleum Reserve I noticed that the leading work in the field was the 1975 report from the National Petroleum Council. When I wanted to educate myself on

exploration in Alaska, and to look at offshore production, how it was done, what did I find? It was the 1981 report that the National Petroleum Council put out. It was the Bible for the subject. When I wanted to find out about Enhanced Oil Recovery, to update myself, again, I found the 1984 report of the National Petroleum Council. There are a lot of other parts to that, but the point that I would like to make to you is that the work that is being done by this Council throughout the past few years in the field is probably the greatest repository of information, the most thorough study, the finest minds that this industry could possibly put together. And I think you can be proud of that. Coming down here this morning, I thought to myself, what would I need to be an effective Secretary of Energy in the Petroleum area? The obvious is something that comes to me right away. If I could have gone through all the experiences you Gentlemen and Ladies went through this morning, if I could have been through the disappointments, the corporation decisions you made, the drilling decisions, the exploration decisions, the tax lobby throughout the years, if I could have been on that rollercoaster, since the Oil Embargo in 1973, where you saw such change in your industry and such spotlights. If I could have been through all that I probably could have been a more effective Secretary of Energy. But I have something that is almost as good, and that is, this organization to give me the information that I need. I've already met with a number of you out there. We've come to the office, we've discussed policies, I've had meetings from a number of sectors of your industry. I've had position papers put

through and I want to assure you that I have diligently read each and every document. It's interesting to be aware of that information that's coming from the industry. It is very valuable, because this is the industry that set the milestones, that set the tone for everything that has gone on in the world today in the Petroleum area. It is you that expanded out from the oil fields of America into Africa and South America and the Middle East. The technology breakthroughs, the exploration breakthroughs, the marketing breakthroughs, it is you that has driven the policies that we've had, you've brought us to a strong manufacturing capacity to where we are today on our energy dependence and you have the greatest wealth. No Secretary of Energy could possibly ask for a better reservoir of information to draw on. I'll tell you how that helped me recently in the advocacy of the new tax plan. I think all of you know that the President will be announcing next Tuesday night, on National television, his tax simplification plan. It's a very difficult thing to put together. But in the councils that have gone on in the last few weeks, I am able to advocate, I am well armed with information received from this industry and with other sources, a position that is formulated in two words: national security. This industry is national security. You are the cutting edge of what is going on in this country today energy-wise. We talk about a lot of other technologies, new programs, far reaching future things, research and development, but you are what's happening today in our energy picture. Your refining industry, your exploration, your petroleum product industry, these are the

things that we must look to now. These are the things we must make sure are not damaged and that we can move forward with energy independence, energy strength and energy security. These are the things that we must formulate our national energy policy on today. And, rather than sit in a council of Government, or a Cabinet Council Government, and say, my bureaucrat has advised me this or my economist in Department of Energy has advised me of this, it is a secure feeling to know that when we get down to drilling rig counts that I am able to compare Department of Energy statistics with personal conversations with Bob Parker, or with other members who are actually in the business, that can talk to me about where the orders are, where the new drilling is going to take place, why it is going to take place in that particular area. This gives me the information base that is necessary to make the arguments that are so important. And, on that, I want to stay open as the Secretary of Energy. To all of you, and to this Council, I want to hear from you. I want to keep my door open so that I can hear what is going on in the industry, how you view the national security issues as it relates to your industry, and what you want me to hear. I won't always agree with you, but I want to know the information, and that is one way that you can help me become a more effective Secretary. Now we have a number of issues that are ongoing today that I know are very important to you, and I want to talk about a couple of those this morning. I think probably the one that is on all your minds is the tax plan. I am fairly limited in what I would like to say this morning on the tax plan because when it is unveiled I

would like, there are certain aspects of it that are not settled that are still under active discussion, most of it is in rough draft form. A couple of general comments from where I sit as Secretary of Energy: Number one, Treasury One that you saw come out, that most of you examined and analyzed through your company economists and advisors, Treasury One to me, from what I have seen, the data that I have reviewed, was devastating to the exploration industry. It is not something that we could live with, and it's not something that we needed to put through. I don't think it was good tax policy and I don't think it was one that was good for the industry or the country at large, especially as it relates to national security. We're about to see Tax Two, or you may call it T2, whatever you have read about in the industry papers. T2 is a quite different approach. I think it recognizes the full impact of the exploration industry on America's energy security. You have to look at the overall goal of tax simplification. Some of the questions I have had are, why tax simplification, why is the Reagan administration tinkering with the tax system? It is a very elementary question and alot of citizens do not understand. I think in the coming weeks and months, I think it will take months, there is no question that any tax simplification bill is going to be debated strenuously on the Hill for a long period of time. You may not see a tax bill before October, in my estimation, possibly longer. It is comprehensive, its sweeping changes, it changes the whole tax system. It is probably the most revolutionary change in the tax system in our history. There is a great effort to simplify,

today, the tax code, tax decisions, take I would guess thirty-three lineal feet of space on a shelf. That's how big it is. Now, alot of people will say, when you guys get through with it, it's going to take forty-three feet on a shelf. There may be something to that. What we are attempting to do is simplify. We would like to put a tax plan in place where fifty, sixty percent of the people would not have to file tax returns. You would be amazed at the amount of effort that goes into forms, filing, and all the bureaucratic morass that gets into this plan. We would like to be able to set it up so that Treasury can send you a bill for your tax and you can pay it or dispute it, depending on the guidelines. That's one, maybe that's too altruistic of a goal, but that is one that needs to be looked at. We would like to broaden the tax paying base. I think everybody agrees that the base is narrow. That does several things for you. It increases the GNP, makes it more fair. There are some very big debates that you will see coming out. Some proposals are that nobody below a certain level of poverty should have to pay any tax at all. That's one advocacy that is going on today. There is one that says if you live here you take advantage of the society, you ought to pay some sort of tax. Everybody ought to recognize their obligation to support the Government. So that debate is going on. You've heard most of them, you've read most of them. Tax plans difficult. Tax growth, tax revenue is based on a four percent growth in this country. That is what all the projections from OMB and this administration have said for the last four years. The real growth last quarter, I think you read yesterday

in the paper, was .7, in other words, seven tenths percent. That is substantially under what our projections are. That projects somewhat of a revenue shortfall between now and 1990 if it continues. So we are concerned about revenue base. We want a revenue neutral plan, we want one that does not change the structure so all these things are tough to balance. There are winners and losers in the tax plans that are coming out, but everybody has to come to the table. Everybody, including this industry, has to come to the table and has to participate in this project. We think we've crafted some provisions that maintain the base for national security for this industry and we think we've reached a very good compromise on it, and we hope that when the plan is unveiled that you will be able to agree with us. I would be happy to answer questions on the tax plan in a second. A couple other points I would like to raise, you've probably all noticed with interest that the administration has proposed a moratorium on the fill of the SPR for three years. This is on budgetary considerations, number one, number two, we're doing it obviously because of revenue constraints. At the end of September there will be 489 million barrels of oil in SPR. Based on your 1977 calculations, that is about 108 days supply. That was what the goal was back in 1977 when you were debating how much supply we need in this national insurance policy that we are putting in. I think we're still committed to 750 million barrels in SPR. I think the moratorium makes sense at this time given the budgetary restraints. That's the administration's position. I think we want to maintain our options, we want to

finish all the capital improvements at the sites, we want to acquire the right of ways for pipelines, the distribution system enhancements, we want to finish existing contracts. I don't know how this bill is going to come out of Congress, whether Congress is going to mandate that we continue the flow rate at a certain level, whether they mandate that we finish totally Big Hill, but you have heard our position, you have heard the debates and whatever the Congress gives us, we're going to carry out.

Synfuels Corporation may indirectly affect some of you, we are facing a major decision today and tomorrow in the administration.

Great Plains project, which in the 1970's looked like a tremendous idea, has a \$1.5 billion guarantee by the Department of Energy. There is a \$2 billion sunken cost on that project.

It's on line, it's working and the partners say that they are ready to walk away from it because the price of the product that has come out of that is not competitive. And, they have asked the Synfuels Corporation for 820 million price supports. Today,

we are debating in the Department of Energy and the

administration of OMB whether we think that is the right thing to

do. We're trying to project out in the market on how we feel

that price will fit in the next three years. There is a three

year plan for the extension of that plant, there is also a ten

year plan. If we decide not to back the price supports from the

partner's walk, the Department of Energy is going to own the

Great Plains Gasification, and we're going to owe \$1.5 billion in

loan guarantees. Not a very good situation. It's a real example

of what large scale demonstration projects at Government expense

do. I don't believe in them, and I think that we have learned over the years that the Government's role belongs in research and development. High risk research and development, R&D that is not being done by private industry. Our role is to work in areas to bring things to fruition where they have a commercial application and then turn it over to private industry, for support joint funding. I think that's what this administration stands for. I've worked for the President since 1966 and I've heard every speech he's ever made I think. This administration stands for the position that industry and the private sector can spend their money better than Government can spend it. I think that's a basic theorem that we stand for. And, if given a choice as to who will spend your tax dollars, we would rather see you spend them, not the Government, because we think you would do it more wisely. I've heard for years President Reagan say, "Government is part of the problem, and if I'm elected President, let's try to make Government part of the solution." We at the Department of Energy still believe in the theorem, the President still believes in that. So in the coming months, years, that we work with you, at least through 1988, I want to pledge that to you, as well as being open, and available to your industry. A final note on the tax plan that I would like to say, tremendous work has been done in the analyzing, and interface in this tax situation by Secretary of Treasury, Jim Baker, who is a master at working together compromises with the Hill, and within the administration he has done a very credible job and he's had tremendous support by the Vice President, who you heard last

night talk. The Vice President being very knowledgeable in your industry and very concerned because of his background on national security has played a large role, along with the Department of Energy in this. So I think if the plan is something you can support, I think those are also individuals that need a large amount of the credit. Some other things I would like to raise quickly. You've heard alot of things in the paper about potential sale of Cook Inlet Oil to Asia. I think this is something the administration is interested in looking at, and I think some discussions will start this week, next, on what are the pros and cons of making such an overature and putting such a program in effect. I'm interested in input from this industry and from you and from the Council on this issue. I know the quantities are not large, but some of the ramifications and signals that are sent by this action are certainly important as they affect our country and some of our allies. I know that refined products importation and the refining industry are on all your minds. These debates are coming. I've received a great deal of valuable information from the industry up to this date, and I look forward to further communication on this. We're in a situation that all of you have worked with, you all know it, that is, the refining industry, the petroleum product import industry is not alot different than shoes, steel, cement, autos, textiles, I could go on and on. They may have one ramification that divides it away from the rest of them and that would be the national security argument that I think is one of the strongest arguments for maybe separate treatment. I think that the

administration is dedicated to the proposition that we will not allow the refining industry in this country to be damaged by foreign imports. So, we'll be working with that issue in the coming months. That is something that I think is going to get a lot of attention and that's something that we would like to have your input on. I think I'll probably close with those general remarks, taking some questions from the floor if you care to. I want to stress once again how I view the knowledge in this room and the members of this Council because this, to me, is the greatest asset that I can gain from the Petroleum Council, and I know all of you have been there. It's with kind of mixed emotions this morning that I can talk to this group who has pioneered so many areas and done so much for our energy security, done so much for the leadership America has today, and the many years that you put together, and then get on a helicopter and fly to Annapolis and watch a thousand young people graduate who are going to man ships and go out, defend our country, move into industry in our reactor programs and other areas. The contrast to me is just very important, to see the eagerness, that they look forward to their new challenges and then to look upon this room on the challenges that you have gone through and conquered. So, again I thank you for inviting me to say a few words to you, and I look forward to being here again, and to giving you the best leadership that I can from the Department of Energy from a business standpoint, from a management standpoint, and to form what I think is a very valuable Government industry partnership for the security of the country. Bob, thank you, and if you do

have any questions, I'll do my best to answer them. If I'm not able to answer them all, I'd be happy to get back to you with the answers today or tomorrow. Thanks.

The Secretary will take questions.

SECRETARY HERRINGTON: I'm pleased to know that I said everything.

(Question from a Council Member.)

Mr. Secretary, I think our administration is for the free market approach. We've raised this issue many, many times. We seem to still have in our oil and gas industry about the only fuels in the world or in our nation that are price controlled, and controlled in other ways. Can you make any comment about any further decontrol in these areas, windfall tax, gas, and such?

SECRETARY HERRINGTON: I think next year you will see an effort, maybe in the Fall, to phase out the remaining natural gas control. I think the windfall profits I would not look for anything in the new tax plan beyond the projected phase out of windfall profits as it exists today. I think that the phase out will continue as it is scheduled. I don't look for any revolutionary change in that area. Yes?

(Question from a Council Member.)

Mr. Secretary, during the balance of this year and next year perhaps in conjunction with the terms about the

domestic refining base, do you think there is any chance to the consideration being given to an import tax on refined products?

SECRETARY HERRINGTON: I think that debate has just begun. I know you have been discussing it for a long time. I've had a lot of input from people. This administration stands for free trade, but this administration also stands for two other things, fair trade and it stands for national security, and I think the last two things I mentioned enter into the discussion that you have just brought up. We have had a lot of discussions in cabinet meetings and in cabinet council meetings so far on the two items that you brought up. As a matter of fact, yesterday morning we had a large one, and I don't think the administration's position is finalized. And, the refining industry is one that is definitely something that we need to be looking at. The President has said personally to me, and he is quite concerned about the national security implications, not only of our new tax plan, but also of the status of the refining industry. A number of your people in this room, I recognize a few, have personally talked with the President, the latest, what, last week I think Bob Mosbacher was in close consultation with the administration at a very high level to put forth some of the ideas of the council. It's important that during this period of debate that we hear everything that you've got to say on this, because I think you are the experts. We may know something in the Government, but I don't think we know it all. And, you are the people that are spending the dollars, that are allocating the

budgets, that are making decisions whether you produce domestically or abroad. You are the people that are going to make the decisions on whether we export jobs to a foreign country or keep them here in America. This is the kind of information we need to hear. That's a very general answer, but that's the best I can give you this morning, because I think that's right where it is. Any others? Nobody wants to know about Stripper Wells? Listen, Bob, thank you very much for allowing me to be here this morning and to all of you, again, I look forward to working with you and I've met a number of you. I hope to meet all of you before I'm through with this job, and I hope that you will have confidence to know that we are open, and that Government is here to serve, supported by your tax dollars, not here to dictate. Thanks.

ROBERT A. MOSBACHER: Mr. Secretary, if you continue to be as fast a study as you've been since first being confirmed on February 8th, we are in jeopardy when you leave the Government you'll be able to take on this whole industry. We thank you for your understanding and your cooperation. We do appreciate that you have a Gentlemen you have to leave in a few minutes and we appreciate you taking time to be here. Thank you sir. Thank you for the present, I don't even hear it ticking. And now, members we have a progress report on the refining study headed by Mr. John McKinley. John.

JOHN MCKINLEY: Thank you, Bob, and we'll be brief.

Last summer the Secretary of Energy requested the NPC, and we agreed, to undertake a new study on the factors affecting the domestic refining industry in the 1985-1990 timeframe and basically the Secretary has asked the NPC's advice on what the U.S. refining industry might look like in the future. This study is to update the previous NPC's studies, the latest one being made in 1980. It's to evaluate the future refinery operations and the industry's ability to make the products required by the nation. The Secretary specified that the study should examine capacity changes, including closings, debottlenecking, and additions that are projected. And also to take a look at what is the projected role of the small regional refiner, how does that fit in the picture? Also we need to cover the related environmental and regulatory issues. Though any of those suggested or that appear appropriate to the committee for the study. At the last council meeting, I reported the results of the organization of our efforts. Our committee agreed that the capability of the U.S. refining industry to produce required products would be analyzed under a variety, a wide range of crude oil availability and a range of product needs scenarios. As in the 1980 NPC study, a survey of the domestic refinery facilities and the operations of those refineries as planned, in addition, we agreed that the study would examine the impacts of various market forces and regulatory actions and principally these would include comparative economics, product imports, gasoline lead restrictions, other environmental restrictions, such as base

prices of gasoline, superfund requirements, and taxation. To assist the committee in carrying out this study you will recall that four task groups were established. This, along with a coordinating subcommittee. The specific study areas of the task groups are as follows: oil supply and demand, refinery survey, the task group on U.S. refinery capability, and then worldwide refining trends as they may affect the U.S. situation. This morning, I'll just give you the progress to date as to where we stand. The working groups are maintaining a quite intensive schedule. The commitment and expertise of the men that have been assigned by the different companies is really excellent, and I think that that will show up in the quality of the analyses that come from the study. The Secretary was commenting on the fact that he thought very highly of the results that the NPC always comes up with, and what we have, that's I think really worthwhile in our industry, when we agree to make a study, the various companies come forward with top quality men. And, that's why those studies, in my view, have some value. These task groups have been concentrating most recently in the three areas, the supply and demand balances, and on the data bases on both domestic and foreign refinery facilities and then on the analytical procedures and computer modeling capabilities that we have to handle this data. Among supply and demand balances, this group has developed balances covering the United States and the rest of the noncommunist world. High and low demand cases were developed for the period 1985-1995, and the data is provided for ten domestic and twenty-eight foreign demand regions. These two

cases, for high and low, represent the task groups' judgement of the likely or reasonable range of possible conditions under which the U.S. refining industry will operate. Mechanically, the case details were generated using an Energy Information Administration model and it's adjusted by various judgements of the task force groups. In the survey of the refineries, a comprehensive questionnaire was developed by the study's refinery survey task group, sent to all U.S. petroleum refiners. The public accounting firm of Arthur Young was approved and retained to receive and aggregate all the survey data and one purpose of this, of course, is to insure that no individual company data would be released on an individual basis. The response from this survey is essential in having an adequate data base. I'm pleased to tell you that approximately 95% of the DOE's reported 1984 domestic capacity has now been reported, so we really do have a fine data base. We certainly appreciate that support. In the refinery capability activity, the task group is modeling the industry's capabilities in the years 1988, 1990, and 1995 under the two supply-demand cases we've discussed. The sensitivity cases are being run for variances in crude quality, octane requirements, vapor pressure specifications, and the use of these oxygenates containing octane appreciators in gasoline. The domestic refining industry will be divided in that study into twelve segments based on location and the complexity of the type of refinery. Each of these segments is being separately modeled by Turner Mason and Company, under the direction of the task group. The models are being validated with the results of the

NPC studies what the individuals say about their refineries. The task group is also addressing other issues such as the comparative economics of our refining system on a regionalized basis, including the economics of the small refiner so that it may be compared to others. Comparative economics will be analyzed on the basis of production costs, for given product slates, independent of crude costs. On worldwide refining trends, the data on the foreign refining systems are being developed by this worldwide refining trend's task group. They will be able to describe the impact that these foreign refining systems may have on our domestic industry. Refining data has been collected for the noncommunist world, excluding the U.S., by country, and using these data and the study's foreign supply and demand balances, the task group is modeling the potential volumes and the marginal costs of products that these foreign refineries may make, or their ability to make them, as they might impact imports into the United States. An Energy Information Administration model is being modified for use by the task force group with ICF, Inc. under contract to provide support in running the model. In addition to providing this ongoing guidance to the work of the task group, the coordinating subcommittee will address the broad policy issues. These include any items that may be suggested or properly fall into that area, but they are currently analyzing changes in the superfund, and how that affects refineries of all different types and sizes, the overall levels of taxation that the refining industry has to face, and the question of this Los Angeles basin environmental controls

because its a very significant part of the refining industry involved in the study. The schedule is to complete this study by year end. It will take a considerable amount of work, and we are moving toward having a draft report to present to the Council in the fall of the year. I simply would say to you that at this point in the game we are well organized. The data base is clearly going to be a very good one, probably the best available anywhere. The work is underway. Enough has not yet been accomplished or completed to give any useful comments or results or conclusions. Jim Seamans, head of the coordinating subcommittee, is here with us. Bob, if there are any questions or suggestions, we would obviously be glad to help you.

ROBERT MOSBACHER: Thank you John. Since this is a progress report we do not require any action of the Council, but if Mr. McKinley is open for questions or suggestions, I'm sure this is a good time to put them forth. Thank you, John, for your excellent work and that of your committees and subcommittees. We look forward to the draft report in the fall. Now, we will turn to administrative matters, and we'll start with the Finance Committee which met yesterday to review the Council's operating budget for 1985. Since John Phillips's retirement, we have a new Chairman of the Finance Committee, John Hall. John, if you can come forth and give the committee report, please.

JOHN HALL: Thank you, Bob. Members of the Council and the Finance Committee met yesterday to review the status of the Council. We reviewed the calendar year 1984 financial statements with representatives of Arthur Young and Company, the Council's independent outside auditors. I'm pleased to report to you that the financial position of the Council is sound, and the accounting controls and procedures received excellent marks. We then discussed the revised budget for calendar year 1985. As you may recall at our last meeting, you approved a budget in the amount of \$1,948,000, which included funds to complete the U.S. petroleum refining study and provided a reserve to initiate any additional study requests by the Secretary. As John McKinley reported to you earlier, the....(Side 1 ended and Side 2 started in the middle of conversation)....

ROBERT MOSBACHER: The Nominating Committee, Mr. Robert O. Anderson, Chairman, will report. Bob, will you please, sir.

ROBERT O. ANDERSON: Mr. Chairman, Secretary Vaughan, Mr. Hartley, and members of the Council. The Nominating Committee met yesterday and agreed on the following nominations for officers and chairmen, members of the agenda and appointment committees of the council. The National Petroleum Council Chairman, Ralph E. Bailey, the National Petroleum Council Vice Chairman, Edwin L. Cox. For the Agenda Committee we nominate the following: John Bookout, Bill Carl, John Carver, Collis

Chandler, Hubby Clark, Cliff Garvin, Fred Hartley, John McKinley, Dick O'Shields, Al Whitehouse, with A. V. Jones serving as Chairman. For the Appointment Committee, we nominate the following: Ted Burtis, David Dorn, Jim Emison, John Hall, Fred Hamilton, John Haun, Dick Morrow, Boone Pickens, and Don Simmons, with Harold Hoopman serving as Chairman. Mr. Chairman, this completes the report of the Nominating Committee, and I move that the Council will elect the foregoing slate for 1985. Thank you.

ROBERT MOSBACHER: Thank you, Mr. Anderson. May we have a second to that motion? Any discussions, nominations from the floor? If not, may we vote on the nominations. All in favor, please designate by saying "Aye". Opposed? Congratulations, Mr. Bailey. Ralph, we're delighted thrilled personally to know that the National Petroleum Council will be under such good leadership. Thank you, sir. Would you like to say a few words?

RALPH E. BAILEY: Well, Bob, I simply would like to say to all the Council members that I do appreciate this honor to serve you and to serve the Secretary and to serve this Petroleum Industry. I'm pleased to do so. I very much look forward to working with Ed Cox and Marshall Nichols, and his staff, and the Secretary and his staff, in the months ahead. And, I believe that it would be appropriate as a first step in that process to have the Council join with me, Bob, in thanking you for all that

you have done in the last two years during your Chairmanship on our behalf. You've done a tremendous job and we all very much appreciate it.

ROBERT MOSBACHER: Thank you, Ralph. Well, it has been truly an honor for me to have served as Chairman of this august group. This Council, as you all know, is in existence to serve as advisor and to give information to the Secretary of Energy and therefore, to our Government and to this Nation. And, I would have to say that it has really been a wonder to me to see the cooperation, the hard work, you Council members, Committee Chairmen, the members of these various committees, such as this refining committee that we see under John McKinley's able leadership now, and even beyond the Council members to the many members of industry who served on these committees, many of them unheralded, but I hope appreciated, and I do believe they are. I would say that we have also received the utmost cooperation and understanding in the Department of Energy. Secretary Vaughan, we thank you, and, of course, the Secretary of Energy. I have been fortunate to serve with two Secretaries of Energy, both of whom have been outstanding men and done an outstanding job. Finally, I would like to say to you, Marshall Nichols and your staff that you have done a great job, and I'm sure you will help Ralph Bailey as you have me, and he probably won't need as much help, but he carried me through this greatly. Thank you. Now, Ladies and Gentlemen, it's the end of our formal agenda, are there any

comments or statements or new business that any member of the National Petroleum Council would like to bring forward, please do so. Otherwise, we'll entertain a motion to adjourn. All those in favor, "Aye." Thank you.